



5. Economic Development

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5.1 Overview

At one time, nearly fifty businesses operated at the Penn and Lowry Avenue intersection. In the decades since, shifts in transportation and shopping habits resulted in a decline in demand for the goods and services found on Lowry Avenue. While Lowry Avenue will not likely recover the full spectrum of businesses that were present in the 1950s, the business mix can be diversified and the character of the commercial places on Lowry can become more vibrant.

This Plan organizes Economic Development into two sections: Business Development, and Redevelopment Strategies. The purpose of treating these two areas separately is to recognize that a revitalized Lowry Avenue will require attention and investment at several levels. Existing businesses and new entrepreneurs choosing to do business on the Avenue are as important to the revitalization of Lowry as are larger investors interested in assembling property to build new buildings.

There is a strong connection between business development (supporting existing businesses) and commercial redevelopment (new construction). Without viable businesses, real estate is underutilized. This results in a seeming oversupply of commercial space, which dampens interest in development.

Access and Connections

Retail business success relies, in part, on access and exposure. Although traffic volumes on Lowry Avenue are reasonably high (approximately 10,000 to 15,000 average vehicles per day according to

MnDOT), the lack of access to regional roadways due to grade separation at Broadway and no direct access to I-94 suggests much of this traffic is local and is generated by the surrounding neighborhoods or places along Lowry.

Given these restrictions in connectivity, there is little regional exposure to businesses on Lowry. The Lowry and Penn commercial district may be an exception to this, as it seems that there is some commuter traffic from parts of North Minneapolis, Robbinsdale, Crystal, and Brooklyn Center that

come by the intersection en route to downtown Minneapolis.

Recent/Past Market Studies

Two previous market studies have focused on the Avenue:

- Retail Market Analysis by McCombs Group, Ltd., 2005.
- North Minneapolis Economic Development Strategy by MJB Consulting, 2007.



Strong Local Access, Weak Regional Access

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The 2005 study was conducted prior to road construction. It focused on Emerson and Lyndale Avenues, the impact of the future road construction, and the viability of commercial development in those areas. It concluded with a recommendation that 40,000 square feet of new retail to be located at Emerson and/or Lyndale.

The 2007 study was larger in scope, and was conducted after the roadway construction had begun. With the benefit of a larger geographical context, the North Minneapolis Commercial Development Strategy arrived at recommendations that were different and partially conflicting with those of the earlier study. The report supported a Neighborhood Business District at Emerson, possibly focusing on ethnic niche businesses while recommending that business activity at Lyndale Avenue be contracted, not expanded.

Trade Area and Demographics

According to both of the studies referenced above, the trade area for Lowry Avenue extends from 39th Avenue to 26th Avenue North. This trade area is relatively small (approximately 1 mile to the north and 1/2 mile to the south) due, in part, to nearby competing retail areas such as West Broadway, Terrace Mall, and Camden, and the awkwardness of regional connections to Lowry. The trade area includes all of the Cleveland, Folwell, and McKinley neighborhoods, and parts of Jordan and Hawthorne. In general, the incomes and buying power of the trade area are higher in neighborhoods north of Lowry and lower in neighborhoods south of Lowry.

The population of the five adjacent neighborhoods is approximately 31,000, but the housing density (at approximately seven units/acre) and associated spending power is low in comparison with most Minneapolis communities.

There are several positive demographics that support the need for enhanced local commercial activity. According to the 2005 Retail Market Analysis:



Approximate Trade Area and Competing Retail Areas

Population of Surrounding Five Neighborhoods			
	1980	1990	2000
Hawthorne	6,036	6,032	5,985
Folwell	4,964	5,115	6,331
McKinley	3,286	3,298	6,658
Cleveland	3,220	3,216	3,440
Jordan	7,861	7,737	9,149
Total	20,408	25,398	31,563

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- About 1/4 of the population is transit dependent and therefore more likely to support local retailers.
- 25 percent of the population has a college or graduate degree, and 32 percent have at least a 2 year degree.
- Almost half the trade area is 19 years of age or younger. This plus an above average household size suggests the need for budget-priced apparel.
- The trade area has two dominant age cohorts: persons under 15 years of age and persons between 25 and 54 years of age.
- 47 percent of the population is African American and 16 percent is Asian Pacific Islander; these populations may provide the base for specialty businesses that draw from a large geographic area.

mix of commercial and residential to medium-density housing. Nevertheless, today there remain approximately 15 businesses located between the nodes. Most of these are service-oriented businesses.

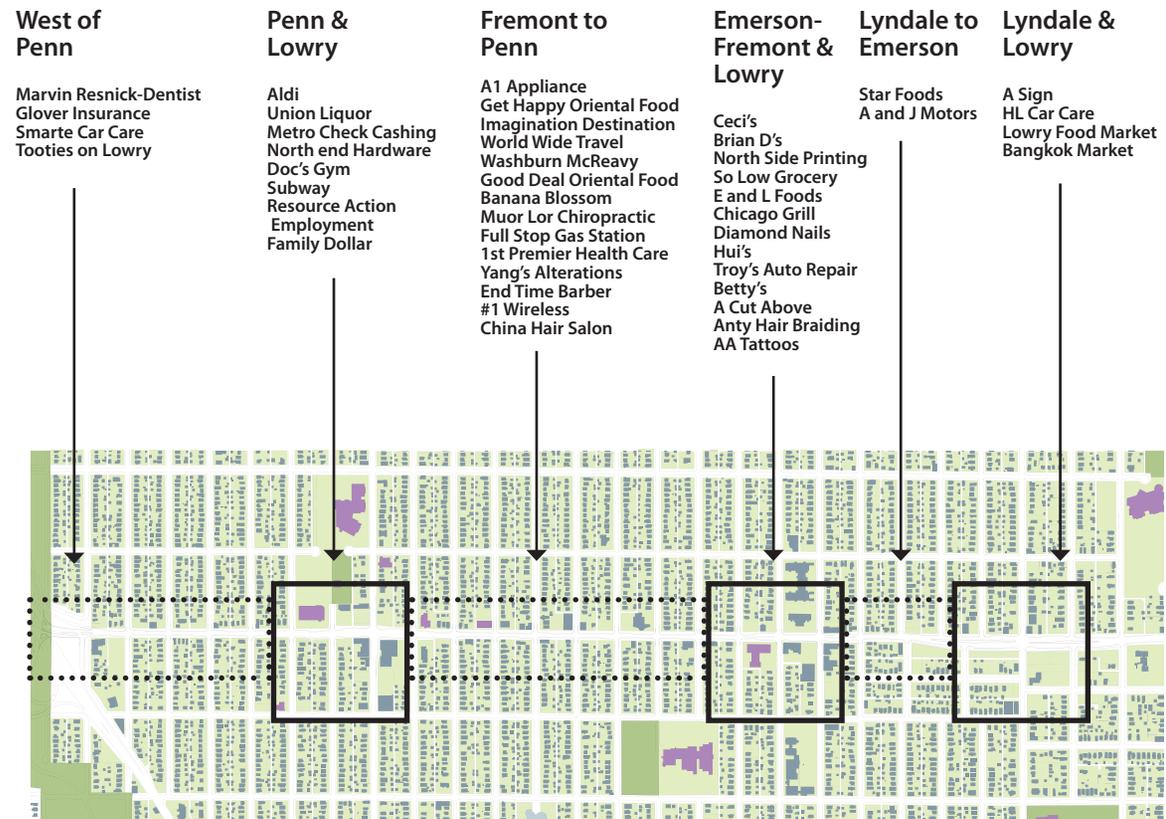
Dispersion of market activity along Lowry Avenue is evident from the physical characteristics of

commercial space. Over 80 percent of the office space was built before 1965. Survey data identify 383,000 square feet of commercial space on Lowry Avenue, including Lowry Avenue east of the Mississippi River, among 36 buildings. The North Minneapolis stretch of Lowry represents only about a tenth of this supply, with just 13 buildings averaging about 3,000 square feet in size.

Existing Business Inventory

According to the 2005 Retail Market Analysis, prior to the road reconstruction there were approximately 72 businesses (32 retail and 40 service businesses) on Lowry Avenue. Takings for the new right-of-way, the impact of road construction, and a poor economy reduced the number of businesses to approximately 43, with 25 of them at the three neighborhood commercial nodes.

The 2002 Lowry Avenue Plan recommended land between the nodes eventually transition from a



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The dispersion of commercial space and activity along Lowry Avenue reduces the benefits that retail and office businesses receive from additional foot traffic and mix of patronage. Dispersion also increases the demands of automobile traffic and parking on the corridor, compounding perceptions of parking problems.

The low supply reflects the limited demand that exists for office space on Lowry. Office buildings on Lowry are prone to conspicuous vacancy, particularly between the nodes. These spaces are in some cases available for exceedingly low rents (\$3-\$5 per foot gross), maintaining downward price pressure on commercial spaces located elsewhere on Lowry. The impact of the current recession has exaggerated vacancy along the Lowry corridor. The six Census tracts that comprise the project area have business vacancies of 8-30 percent.

Current Economic Conditions

The current economic market is extremely soft and the commercial real estate market is in transition. Credit for new businesses and real estate investments remains tight; only the most creditworthy investors are able to secure loans.

Nonetheless, Lowry Avenue is not without commercial success stories. Multiple businesses, such as So Low Grocery, North End Hardware, and Tooties, continue to thrive by filling niches for items desired locally and around the region. Aldi and Family Dollar discount store are each reported to perform among the top stores in their respective chains.

Availability of commercial space and comparatively modest rent levels are challenges from a planning perspective, but are seeds of opportunity from an economic development perspective. Together, these are valuable assets to a broad range of audiences, and the community has an opportunity to use affordable space to continue attracting business owners to occupy and use Lowry Avenue space.

Development opportunities are plentiful if measured by land available at a relatively low price. Lowry Avenue is the spine of five desirable in-town urban neighborhoods, each with its own identity and set of urban amenities. Vacant land, underperforming buildings, and underutilized properties are located at each of the nodes. Therefore, the challenge for redevelopment along Lowry is not one of lack of demand to live, work, and invest in the City, but one of matching existing demand with existing supply.

New development proposals are likely to wait for additional signals that the market is stabilizing. In the shorter term, this plan emphasizes strategies to fill existing commercial space, and to leverage the strengths of existing assets.

Local and Destination Markets

Given the proximity of West Broadway Avenue, and the plethora of retail centers and malls that can be reached in a five mile radius of Lowry Avenue, the core customer base for Lowry Avenue will continue to be people that live within five to ten blocks of the street. Having said that there are existing businesses on Lowry that are known

to draw from a much wider market. The prime example of this is So Low Foods, which boasts a customer base that extends into the suburbs. But Aldi, North Regional Library, and some of the Asian-owned businesses pull in customers and patrons from more distant areas as well.

Destination markets can augment local markets. In addition to increasing the customer base, they also diversify it with different shopping profiles and needs. The different markets may also have different peak shopping times, keeping a business active more hours of the day. Businesses that have a destination customer base benefit their neighbors by exposing them to potential customers that might not otherwise be in the neighborhood.

While Lowry Avenue will not compete with West Broadway in its range of community-level goods and services, it may be able to capitalize on some of the niche markets that already exist on Lowry. An example is the range of Hmong-owned stores. There is not a competing Hmong-oriented shopping area in North Minneapolis, so to consciously build this character could yield additional customer traffic in the form of Hmong households that live in north Minneapolis and the northwest suburbs.

5.2 Business Development

This plan establishes two main goals for business development:

- Improve the success of existing businesses through support strategies.
- Attract new businesses to current vacancies.

These goals are interrelated. As existing businesses are more successful, they in turn attract businesses that provide complementary products or services. Improving the success of existing businesses also starts a positive investment cycle. It generates resources for the business owner that can be utilized to make business and property investments. These improvements will have the effect of further improving the attractiveness of the area for other prospective businesses. And the increased number of customers to Lowry is also a draw to businesses that may be considering a new location.

And new businesses benefit existing businesses. High quality new businesses improve the cachet of the area, which increases the potential customer base for existing businesses.

Support for Existing Businesses

There are a surprising number of business anchors on Lowry Avenue that are thriving and seem to be creating economic coat-tails for other local businesses. But there are also local businesses that are visibly challenged, and the recessionary environment is undoubtedly one of the causes of their distress. A high priority should be placed on reaching out to existing businesses, and exploring ways of ensuring their ongoing success. In doing

this it should be recognized that there are some challenges in the Lowry environment that many businesses on Lowry may be facing. They include the following.

- **Resource deficit.** Businesses that are in inexpensive tenant spaces on Lowry Avenue are often entrepreneurs that had few resources to invest in their business start. This condition can be self-perpetuating, because business owners operating on a shoestring budget may not be able to make improvements to facilities, inventory or marketing that are necessary to improve the success of the business.
- **Isolation.** Business owners are generally not local residents. They are of various cultures and ethnicities. And Lowry Avenue lacks a strong affiliation between businesses. All of this may yield a sense of isolation for individual business owners. Important conversations may not be occurring about things like business skills and strategies, and getting neighborhood shoppers in the door. City regulatory actions without also marketing available City resources and services may exacerbate this sense of isolation. Businesses need to feel like they are part of a network of businesses, that they have some connection to the community they serve, and that the resources of the City and other organizations are available to support their endeavors.
- **Conflicting loyalties.** Some low-traffic businesses are “adopted” as comfortable environments by local youth or gangs because their activities are unlikely to be disrupted by lots of customer traffic. The business owner may feel pressure not to make changes that would disrupt the status quo. Sometimes they are even the

subject of overt threats. In these instances it may feel quite risky to disrupt the status quo.

These challenges may be difficult to surmount, requiring improvements to the external environment, various specific business support, and sustained and coordinated attention by many parties. However, maintaining the viability of existing businesses ought to be the first order of business on a plan implementation agenda. The following are strategies that would contribute to addressing the identified challenges, and improving the business climate in general. Some of these strategies are types of support that can be extended to individual business owners. Others would benefit the commercial areas in general through marketing, relationship building, or addressing conditions in the environment.



5.2 Business Development

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- **Technical support.** Technical support comes in a great many flavors. It includes assistance with developing a business or marketing plan, and instruction in topics like keeping books and hiring competent employees. Local businesses can be encouraged to connect with one or more of the many organizations that offer technical support.
- **Financial support.** Some programs are available to provide financial support to business owners for business or building improvements. City staff and providers of technical support are resources for helping business owners find suitable financial resources. Local businesses are particularly encouraged to participate in programs that offer matching funds for façade improvements, because in addition to drawing customer traffic to the business, a more attractive storefront benefits the look of the whole commercial area.
- **Coordinated response.** Businesses facing serious challenges including public safety issues, conflicting customer bases, and/or multiple regulatory requirements, may benefit from an “all hands on deck” coordinated approach. Bringing parties with business supporting resources together with enforcement/police staff and neighborhood representation might offer a balanced conversation about how issues are being seen by outside parties, and what support is available to make a change.
- **Block club adoption.** Adoption of a local business by neighboring residents can open up conversation about what products are needed in the community, and what would make residents more comfortable shopping at the store. This is

invaluable information to a business owner, who can, in being responsive, create a loyal customer base that can spread the word about its products or services.

- **Marketing.** A coordinated marketing approach should be developed for Lowry Avenue. Marketing Lowry can springboard off its strong assets including a beautiful streetscape, a useful business mix, and its wonderful business anchors. The program would benefit from the information derived from target market studies and potential customer surveys.
- **“Shop Local” campaign.** This is another approach to increasing resident loyalty to “their own” commercial corner. Having proven to be successful in other locations, the creation of a “Buy on the Avenue, Sell to the Neighborhood” program helps to engender positive relationships that serve the common needs of businesses and residents. The program could include welcome packets for new residents, business representation on neighborhood boards, and resident representation on a reestablished Lowry Avenue Business Association.



- **Events.** Events are fun, and should not be overlooked as a strategy for generating enthusiasm for commercial areas. The broader idea is to draw people to a place, and give it recognition, through programming it.
- **Place-making.** One can't overemphasize the importance of place-making! It is important to continue to make the physical environment increasingly vibrant and interesting. New development, and improvements to existing properties, should incrementally build the sense of an exciting, interesting and walkable place. Outdoor settings such as outdoor restaurant seating or public plazas are a key ingredient. Design coordination among business and property owners should be strongly encouraged.
- **Interim uses.** Creative interim and temporary uses on vacant land and in vacant buildings can play a short-term role in energizing an environment. Examples include galleries, events, seasonal retail, art installations, and storefront murals. These low cost investment can generate foot traffic, exposure, and interest in an area during a weak economy when larger investments are unlikely.

5.2 Business Development

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Attracting New Businesses

Attracting new businesses is required to fill vacant spaces and improve the business mix on Lowry. As referenced above, there are many assets on Lowry that would be of interest to prospective businesses, including successful anchor businesses and decent traffic volumes. But other local conditions may give caution to prospective businesses that would otherwise consider launching a venture on Lowry. These include public safety issues, the evident disinvestment and poor visual appearance of some properties, the lack of a strong business association, and tenuous community support for Lowry Avenue businesses. These concerns must be addressed in order to attract new businesses to Lowry. Strategies to be considered should include the following.

- **Build from success.** Successful anchor businesses on Lowry include three grocery stores, Aldi, So Low, and Bangkok Market, as well as Family Dollar, Union Liquor, North



End Hardware, Good Deal Oriental Food and Restaurant, Subway, and the public post office and library. Businesses that offer complementary products and services to these are good targets for recruitment efforts. Anchor businesses should also be referenced in marketing materials.

- **Develop a marketing plan and packet.** Information about Lowry Avenue and its retail market area can be assembled to interest prospective businesses in Lowry. This may not replace the location oriented research that a business would conduct before opening up in a new location. But it may open their eyes to the attractive qualities of the place, the success that certain anchor businesses are already having, and the buying power of the neighborhood. There is no substitute for being knowledgeable about specific space opportunities available on Lowry. A space inventory should be assembled as part of these materials and kept current. Low cost existing commercial space is an attractive asset for certain retail establishments. Other information to consider including: parking availability, zoning, business-related support and resources.
- **Identify target businesses.** An overall tenancing plan, managed by a Lowry Avenue Business Association, should be developed for each of the business areas on Lowry. The prospective business categories in the plan should be selected to build toward useful and interesting business mixes for each area building the existing successful anchor businesses. It should also bolster the unique character of each area. Professional support from a business development specialist may be useful in

developing this plan. In addition to focusing recruitment efforts, a tenancing plan can give a feeling of predictability to existing businesses.

- **Explore destination niches.** As discussed above, if niche destination markets can be identified and augmented through marketing and improvements to the business mix, this would add to the overall customer base and vibrancy of the corridor. A Hmong commercial center is a possible niche that can be explored.
- **Staff support.** There's no substitute for having someone paid to dedicate time toward business recruitment and other activities that market the area. The neighborhood organizations should place a high priority on co-funding a position dedicated to economic and business development of Lowry Avenue. A Lowry Avenue business coordinator could execute promotion strategies and events, work on business recruitment, and strengthen relationships between the neighborhoods and Lowry businesses. It might ultimately be sponsored by a resurgent Lowry Avenue Business Association.
- **Financial incentives.** Consideration should be given to the creation of a program that subsidizes initial lease payments for target businesses that are doing a start-up on Lowry.

5.3 Redevelopment Strategies

The current market for new commercial development is weak. As an example, Wellington Management has not been able to proceed with development of the well-positioned vacant land east of its new Aldi store at Lowry & Penn. Over time, however, the market will strengthen and demand for in-city living, working, and entrepreneurship will support consideration of development activity once again. As has been

discussed previously, Lowry Avenue has a mix of assets and liabilities that will impact developer interest or lack thereof.

A primary goal of this Plan is to attract new development to Lowry Avenue by pursuing strategies that “set the table” for development by reducing barriers and lowering development risk. The challenges and strategies related to attracting

new commercial development are very similar to those that pertain to housing development. The Housing chapter of this plan includes a full discussion of strategies that may serve to foster Lowry Avenue development in a way that meets community and city goals.

Wellington development at Lowry & Penn

